

UNION COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Bart Frush	President	2009
Joe Connolly	Vice President	2008
Robert Hanson	Board Member	2007
Ryan Moody	Board Member	2007
Jeff Roberts	Board Member	2007
Dennis McLaughlin	Board Member	2008
Jim Barz	Board Member	2009
Board of Education (After September 2007 Election)		
Bart Frush	President	2009
Joe Connolly	Vice President	2008
Dennis McLaughlin	Board Member	2008
Ryan Moody	Board Member	2008
Jim Barz	Board Member	2009
James Bronner	Board Member	2010
Robert Hanson	Board Member	2010
School Officials		
Neil Mullen	Superintendent	2008
Kathy Krug	District Secretary/Treasurer and Business Manager	2008
Steve Weidner	Attorney	2008

NOTLE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Union Community School District, Laporte City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Union Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2009 on our consideration of Union Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Member American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,192,037 in fiscal year 2007 to \$10,583,997 in fiscal year 2008, while General Fund expenditures increased from \$10,079,250 in fiscal 2007 to \$10,098,594 in fiscal 2008. This resulted in an increase in the District's General Fund balance from a deficit balance of \$64,135 in fiscal 2007 to a balance of \$421,268 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in local taxes and state grant revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- Overall, the District's net assets increased in the governmental activities by \$1,802,496 and decreased in the business-type activities by \$17,492.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Union Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Union Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Union Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Union Community School District Annual Financial Report

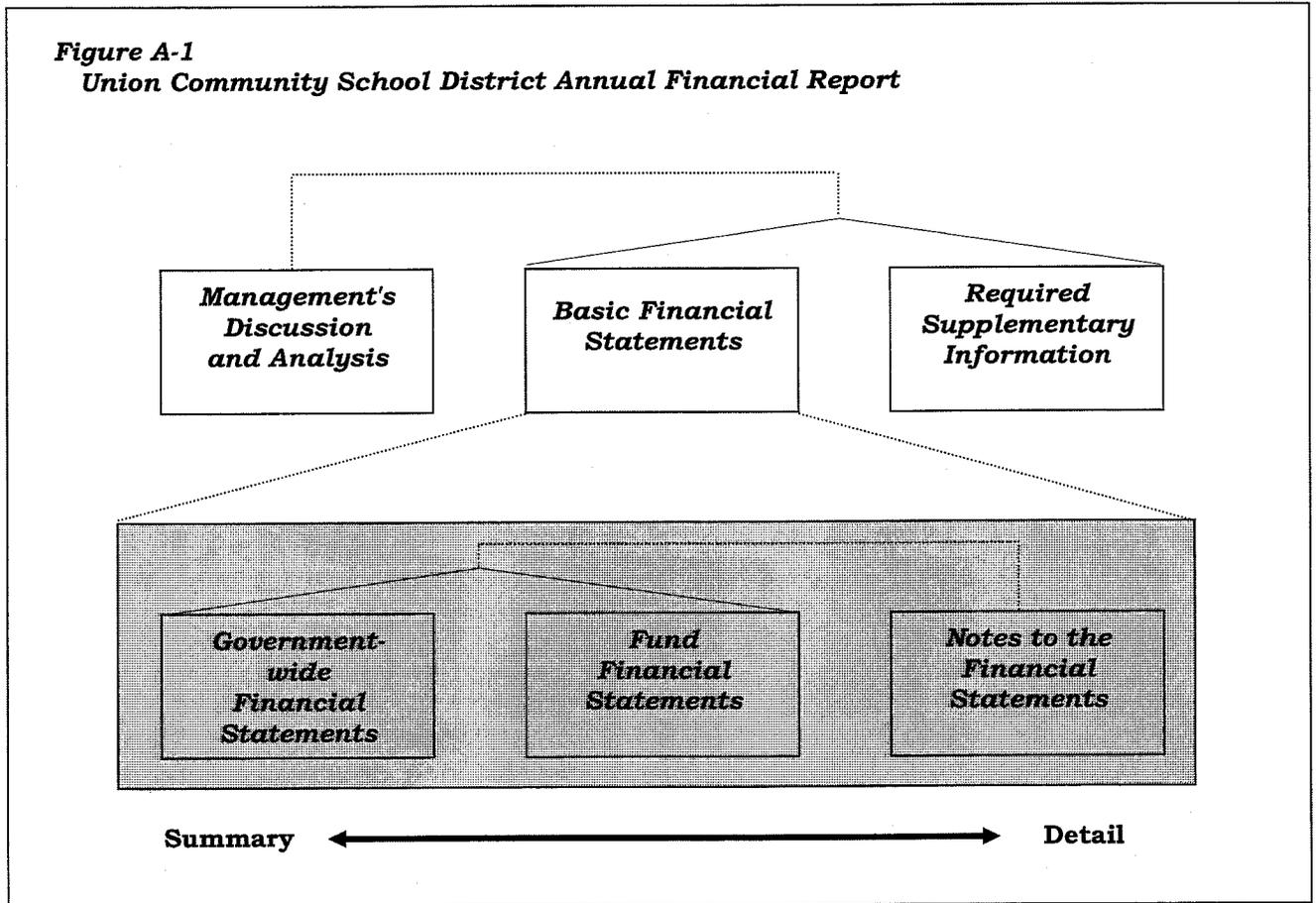


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 9,871,654	9,439,147	\$ 21,492	38,554	\$ 9,893,146	9,477,701	4.38%
Capital assets	5,556,550	4,843,131	69,609	67,442	5,626,159	4,910,573	14.57%
Total assets	15,428,204	14,282,278	91,101	105,996	15,519,305	14,388,274	7.86%
Long-term obligations	434,700	809,194	0	0	434,700	809,194	-46.28%
Other liabilities	6,620,553	6,902,629	14,302	11,705	6,634,855	6,914,334	-4.04%
Total liabilities	7,055,253	7,711,823	14,302	11,705	7,069,555	7,723,528	-8.47%
Net assets:							
Invested in capital assets, net of related debt	5,216,550	4,178,131	69,609	67,442	5,286,159	4,245,573	24.51%
Restricted	2,428,778	2,305,946	0	0	2,428,778	2,305,946	5.33%
Unrestricted	727,623	86,378	7,190	26,849	734,813	113,227	548.97%
Total net assets	\$ 8,372,951	6,570,455	\$ 76,799	94,291	\$ 8,449,750	6,664,746	26.78%

The District's combined net assets increased 26.78%, or \$1,785,004, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 5.33%, or \$122,832, over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased 548.97%, or \$621,586, from the prior year. This increase in unrestricted net assets was a result of the increase in the General Fund during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental		Business-type		Total		Total Change 2007-08
	Activities		Activities		School District		
	2008	2007	2008	2007	2008	2007	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 823,652	862,707	\$ 362,143	354,547	1,185,795	1,217,254	-2.58%
Operating grants and contributions and restricted interest	1,387,717	1,059,890	205,860	202,201	1,593,577	1,262,091	26.26%
Capital grants and contributions and restricted interest	3,274	0	0	0	3,274	0	100.00%
General revenues:							
Local tax	4,045,450	3,843,246	0	0	4,045,450	3,843,246	5.26%
Local option sales and service tax	1,005,756	924,760	0	0	1,005,756	924,760	8.76%
Unrestricted state grants	4,946,107	4,616,157	0	0	4,946,107	4,616,157	7.15%
Other	316,282	488,324	1,026	1,699	317,308	490,023	-35.25%
Transfers	(7,000)	0	7,000	0	0	0	0.00%
Total revenues and transfers	<u>12,521,238</u>	<u>11,795,084</u>	<u>576,029</u>	<u>558,447</u>	<u>13,097,267</u>	<u>12,353,531</u>	<u>6.02%</u>
Program expenses:							
Governmental activities:							
Instructional	6,875,652	7,183,421	0	0	6,875,652	7,183,421	-4.28%
Support services	3,215,476	3,482,014	10,269	7,532	3,225,745	3,489,546	-7.56%
Non-instructional programs	795	3,571	583,252	561,792	584,047	565,363	3.30%
Other expenses	626,819	840,428	0	0	626,819	840,428	-25.42%
Total expenses	<u>10,718,742</u>	<u>11,509,434</u>	<u>593,521</u>	<u>569,324</u>	<u>11,312,263</u>	<u>12,078,758</u>	<u>-6.35%</u>
Change in net assets	1,802,496	285,650	(17,492)	(10,877)	1,785,004	274,773	549.63%
Net assets beginning of year	<u>6,570,455</u>	<u>6,284,805</u>	<u>94,291</u>	<u>105,168</u>	<u>6,664,746</u>	<u>6,389,973</u>	<u>4.30%</u>
Net assets end of year	<u>\$ 8,372,951</u>	<u>6,570,455</u>	<u>\$ 76,799</u>	<u>94,291</u>	<u>8,449,750</u>	<u>6,664,746</u>	<u>26.78%</u>

In fiscal 2008, property tax and unrestricted state grants account for 71.81% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.61% of the revenue from business type activities.

The District's total revenues were approximately \$13.1 million of which \$12.52 million was for governmental activities and \$0.58 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.02% increase in revenues and a 6.35% decrease in expenses. The decrease in expenses is related to decreases in instructional expenses during the year.

Governmental Activities

Revenues for governmental activities were \$12,521,238 and expenses were \$10,718,742.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 6,875,652	7,183,421	-4.28%	5,088,266	5,703,731	-10.79%
Support services	3,215,476	3,482,014	-7.65%	3,207,187	3,431,192	-6.53%
Non-instructional	795	3,571	-77.74%	795	3,571	-77.74%
Other expenses	626,819	840,428	-25.42%	207,851	448,343	-53.64%
Totals	<u>\$ 10,718,742</u>	<u>11,509,434</u>	<u>-6.87%</u>	<u>8,504,099</u>	<u>9,586,837</u>	<u>-11.29%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District’s programs was \$823,652.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,390,991.
- The net cost of governmental activities was financed with \$4,045,450 in local tax, \$1,005,756 in local option sales and services tax, \$4,946,107 in unrestricted state grants, \$232,819 in interest income, and \$83,463 in other general revenues.

Business-Type Activities

Revenues of the District’s business-type activities were \$576,029 and expenses were \$593,521. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Union Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,839,096, above last year’s ending fund balances of \$2,269,041. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in the General Fund.

Governmental Fund Highlights

- The District’s improving General Fund financial position from a deficit \$64,135 to a balance of \$421,268 is the product of many factors:

- Increase in state aid and property taxes during the year resulted in an increase in revenues.
- The increase in revenues was greater than the increase in expenditures resulting in a net increase of \$485,403.
- The Capital Projects Fund balance decreased from \$1,545,321 in fiscal 2007 to \$1,527,123 in fiscal 2008. This is due to the increase in expenditures being larger than the increase in revenues for the year.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$94,291 at June 30, 2007 to \$76,799 at June 30, 2008, representing a decrease of 18.55%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$172,175 more than budgeted revenues, a variance of 1.35%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the district's budgetary practice, the certified budget was exceeded in the non-instructional programs function due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$5.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$388,571.

The original cost of the District's capital assets was \$15,591,108. Governmental funds account for \$15,375,464 with the remainder of \$215,644 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2007, compared to \$558,490 reported at June 30, 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 53,729	53,729	\$ 0	0	\$ 53,729	53,729	0.00%
Construction in progress	558,490	0	0	0	558,490	0	100.00%
Buildings	4,058,223	4,218,361	0	0	4,058,223	4,218,361	-3.80%
Land improvements	71,723	87,140	0	0	71,723	87,140	-17.69%
Machinery and equipment	814,385	483,901	69,609	67,442	883,994	551,343	60.33%
Total	<u>\$ 5,556,550</u>	<u>4,843,131</u>	<u>\$ 69,609</u>	<u>67,442</u>	<u>\$ 5,626,159</u>	<u>4,910,573</u>	<u>14.57%</u>

Long-Term Debt

At June 30, 2008, the District had \$434,700 in other long-term debt outstanding. This represents a decrease of 46.28% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding revenue bonded indebtedness payable from the Capital Projects Fund of \$340,000 at June 30, 2008.

The District had total outstanding notes payable from the Special Revenue, Physical Plant and Equipment Levy to the Special Revenue, Expendable Trust Fund of \$90,000 at June 30, 2008.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$4,700 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2008	2007	2007-08
Revenue bonds	\$ 340,000	665,000	-48.87%
Note payable	90,000	135,000	-33.33%
Early retirement	4,700	9,194	-48.88%
Totals	<u>\$ 434,700</u>	<u>809,194</u>	<u>-46.28%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathy Krug, District Secretary/Treasurer and Business Manager, Union Community School District, 200 Adams, La Porte City, Iowa, 50651.

BASIC FINANCIAL STATEMENTS

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		Component Unit	
	Governmental Activities	Business type Activities	Total	Union Community School District Foundation
Assets				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 2,251,181	0	2,251,181	0
Other	2,777,213	8,896	2,786,109	22,645
Receivables:				
Property tax:				
Delinquent	57,926	0	57,926	0
Succeeding year	3,834,089	0	3,834,089	0
Income surtax	413,422	0	413,422	0
Accounts	18,418	1,399	19,817	0
Accrued ISCAP interest(Note 4)	15,865	0	15,865	0
Note(Note 7)	90,000	0	90,000	0
Due from other governments	413,540	0	413,540	0
Inventories	0	11,197	11,197	0
Capital assets, net of accumulated depreciation(Note 5)	5,556,550	69,609	5,626,159	0
Total Assets	15,428,204	91,101	15,519,305	22,645
Liabilities				
Accounts payable	61,727	3,306	65,033	0
Salaries and benefits payable	432,438	0	432,438	0
ISCAP warrants payable(Note 4)	2,238,000	0	2,238,000	0
ISCAP interest payable(Note 4)	15,611	0	15,611	0
ISCAP unamortized premium	37,271	0	37,271	0
Accrued interest payable	1,417	0	1,417	0
Deferred revenue:				
Succeeding year property tax	3,834,089	0	3,834,089	0
Unearned revenue	0	10,996	10,996	0
Long-term liabilities(Note 6):				
Portion due within one year:				
Revenue bonds payable	340,000	0	340,000	0
Early retirement payable	4,700	0	4,700	0
Portion due after one year:				
Note payable	90,000	0	90,000	0
Total Liabilities	7,055,253	14,302	7,069,555	0
Net Assets				
Invested in capital assets, net of related debt	5,216,550	69,609	5,286,159	0
Restricted for:				
Salary improvement program	2,314	0	2,314	0
Professional development	3,657	0	3,657	0
Market factor	1,459	0	1,459	0
Market factor incentives	8,220	0	8,220	0
Capital projects	1,527,123	0	1,527,123	0
Management levy	185,336	0	185,336	0
Physical plant and equipment levy	76,135	0	76,135	0
Other special revenue purposes	624,534	0	624,534	0
Unrestricted	727,623	7,190	734,813	22,645
Total Net Assets	\$ 8,372,951	76,799	8,449,750	22,645

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Component Unit	
					Govern- mental Activities	Business- Type Activities	Total	Union Community School District Foundation
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular instruction	\$ 4,388,972	365,413	888,694	0	(3,134,865)	0	(3,134,865)	0
Special instruction	1,251,387	0	62,274	0	(1,189,113)	0	(1,189,113)	0
Other instruction	1,235,293	458,239	12,766	0	(764,286)	0	(764,286)	0
	<u>6,875,652</u>	<u>823,652</u>	<u>963,734</u>	<u>0</u>	<u>(5,088,266)</u>	<u>0</u>	<u>(5,088,266)</u>	<u>0</u>
Support services:								
Student services	249,800	0	0	0	(249,800)	0	(249,800)	0
Instructional staff services	381,444	0	0	0	(381,444)	0	(381,444)	0
Administration services	1,171,536	0	0	0	(1,171,536)	0	(1,171,536)	0
Operation and maintenance of plant services	763,763	0	0	3,274	(760,489)	0	(760,489)	0
Transportation services	648,833	0	5,015	0	(643,818)	0	(643,818)	0
	<u>3,215,476</u>	<u>0</u>	<u>5,015</u>	<u>3,274</u>	<u>(3,207,187)</u>	<u>0</u>	<u>(3,207,187)</u>	<u>0</u>
Non-instructional programs:								
Community service and other enterprise operations	795	0	0	0	(795)	0	(795)	0
Other expenditures:								
Long-term debt interest	32,296	0	0	0	(32,296)	0	(32,296)	0
AEA flowthrough	418,968	0	418,968	0	0	0	0	0
Depreciation(unallocated)*	175,555	0	0	0	(175,555)	0	(175,555)	0
	<u>626,819</u>	<u>0</u>	<u>418,968</u>	<u>0</u>	<u>(207,851)</u>	<u>0</u>	<u>(207,851)</u>	<u>0</u>
Total governmental activities	10,718,742	823,652	1,387,717	3,274	(8,504,099)	0	(8,504,099)	0
Business-Type activities:								
Support services:								
Student services	1,301	0	0	0	0	(1,301)	(1,301)	0
Administration services	1,690	0	0	0	0	(1,690)	(1,690)	0
Operation and maintenance of plant services	7,278	0	0	0	0	(7,278)	(7,278)	0
Non-instructional programs:								
Nutrition services	583,252	362,143	205,860	0	0	(15,249)	(15,249)	0
Total business-type activities	593,521	362,143	205,860	0	0	(25,518)	(25,518)	0
Total primary government	\$ 11,312,263	1,185,795	1,593,577	3,274	(8,504,099)	(25,518)	(8,529,617)	0
Total component unit	\$ 2,104	0	20,371					18,267
General Revenues and Transfers:								
General Revenues:								
Local tax for:								
General purposes					\$ 3,949,799	0	3,949,799	0
Capital outlay					95,651	0	95,651	0
Local option sales and services tax					1,005,756	0	1,005,756	0
Unrestricted state grants					4,946,107	0	4,946,107	0
Unrestricted investment earnings					232,919	1,026	233,945	466
Gain on sale of equipment					5,217	0	5,217	0
Other					78,246	0	78,246	0
Transfers					(7,000)	7,000	0	0
Total general revenues and transfers					10,306,595	8,026	10,314,621	466
Changes in net assets					1,802,496	(17,492)	1,785,004	16,733
Net assets beginning of year					6,570,455	94,291	6,664,746	3,912
Net assets end of year	\$				8,372,951	76,799	8,449,750	20,645

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 2,251,181	0	0	2,251,181
Other	714,920	1,253,245	809,048	2,777,213
Receivables:				
Property tax:				
Delinquent	53,430	0	4,496	57,926
Succeeding year	3,529,149	0	304,940	3,834,089
Income surtax	413,422	0	0	413,422
Accounts	11,259	0	7,159	18,418
Accrued ISCAP interest (Note 4)	15,865	0	0	15,865
Note (Note 7)	0	0	90,000	90,000
Due from other governments	139,662	273,878	0	413,540
Total Assets	\$ 7,128,888	1,527,123	1,215,643	9,871,654
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 41,729	0	19,998	61,727
Salaries and benefits payable	432,438	0	0	432,438
ISCAP warrants payable (Note 4)	2,238,000	0	0	2,238,000
ISCAP interest payable (Note 4)	15,611	0	0	15,611
ISCAP unamortized premium	37,271	0	0	37,271
Deferred revenue:				
Succeeding year property tax	3,529,149	0	304,940	3,834,089
Income surtax	413,422	0	0	413,422
Total liabilities	6,707,620	0	324,938	7,032,558
Fund balances:				
Reserved for:				
Salary improvement program	2,314	0	0	2,314
Professional development	3,657	0	0	3,657
Market factor	1,459	0	0	1,459
Market factor incentives	8,220	0	0	8,220
Unreserved:				
General	405,618	0	0	405,618
Capital projects	0	1,527,123	0	1,527,123
Management levy	0	0	190,036	190,036
Physical plant and equipment levy	0	0	76,135	76,135
Other special revenue purposes	0	0	624,534	624,534
Total fund balances	421,268	1,527,123	890,705	2,839,096
Total Liabilities and Fund Balances	\$ 7,128,888	1,527,123	1,215,643	9,871,654

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$	2,839,096
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,556,550
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		413,422
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,417)
Long-term liabilities, including revenue bonds payable, note payable and early retirement payable, are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds		<u>(434,700)</u>
Net assets of governmental activities (page 14)	\$	<u>8,372,951</u>

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,625,218	1,005,756	277,058	4,908,032
Tuition	323,064	0	0	323,064
Other	320,605	56,463	461,561	838,629
Intermediate sources	162,929	0	0	162,929
State sources	5,948,846	0	229	5,949,075
Federal sources	198,118	0	0	198,118
Total revenues	<u>10,578,780</u>	<u>1,062,219</u>	<u>738,848</u>	<u>12,379,847</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	4,592,109	9,562	36,149	4,637,820
Special instruction	1,251,387	0	0	1,251,387
Other instruction	774,238	0	470,212	1,244,450
	<u>6,617,734</u>	<u>9,562</u>	<u>506,361</u>	<u>7,133,657</u>
Support services:				
Student services	249,800	0	0	249,800
Instructional staff services	304,413	61,055	0	365,468
Administration services	1,163,598	21	11,018	1,174,637
Operation and maintenance of plant services	744,117	10,054	44,825	798,996
Transportation services	599,169	101,218	28,794	729,181
	<u>3,061,097</u>	<u>172,348</u>	<u>84,637</u>	<u>3,318,082</u>
Non-instructional programs:				
Community service and other enterprise operations	795	0	0	795
Other expenditures:				
Facilities acquisitions	0	532,857	0	532,857
Long-term debt:				
Principal	0	0	370,000	370,000
Interest and fiscal charges	0	0	33,650	33,650
AEA flowthrough	418,968	0	0	418,968
	<u>418,968</u>	<u>532,857</u>	<u>403,650</u>	<u>1,355,475</u>
Total expenditures	<u>10,098,594</u>	<u>714,767</u>	<u>994,648</u>	<u>11,808,009</u>
Excess(deficiency)of revenues over(under) expenditures	480,186	347,452	(255,800)	571,838
Other financing sources(uses):				
Transfer in	0	0	403,650	403,650
Transfer out	0	(365,650)	(45,000)	(410,650)
Sale of equipment	5,217	0	0	5,217
Total other financing sources(uses)	<u>5,217</u>	<u>(365,650)</u>	<u>358,650</u>	<u>(1,783)</u>
Net change in fund balances	485,403	(18,198)	102,850	570,055
Fund balance beginning of year	(64,135)	1,545,321	787,855	2,269,041
Fund balance end of year	<u>\$ 421,268</u>	<u>1,527,123</u>	<u>890,705</u>	<u>2,839,096</u>

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18)		\$ 570,055
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the year were as follows:		
Capital outlay	\$ 1,089,283	
Depreciation expense	<u>(375,864)</u>	713,419
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		143,174
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement		4,494
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		370,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		<u>1,354</u>
 Changes in net assets of governmental activities (page 15)		 <u><u>\$ 1,802,496</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition
Assets	
Cash and pooled investments	\$ 8,896
Accounts receivable	1,399
Inventories	11,197
Capital assets, net of accumulated depreciation(Note 5)	69,609
Total Assets	91,101
 Liabilities	
Accounts payable	3,306
Unearned revenue	10,996
Total Liabilities	14,302
 Net Assets	
Invested in capital assets	69,609
Unrestricted	7,190
Total Net Assets	\$ 76,799

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 362,143
OPERATING EXPENSES:	
Support services:	
Student services:	
Services	1,301
Administration services:	
Services	1,690
Operation and maintenance of plant services:	
Services	7,278
	10,269
Non-instructional programs:	
Food service operations:	
Salaries	161,176
Benefits	115,065
Services	378
Supplies	293,551
Depreciation	12,707
Other	375
	583,252
TOTAL OPERATING EXPENSES	593,521
OPERATING LOSS	(231,378)
NON-OPERATING REVENUES:	
State sources	6,997
Federal sources	198,863
Interest income	1,026
Transfer in	7,000
TOTAL NON-OPERATING REVENUES	213,886
Changes in net assets	(17,492)
Net assets beginning of year	94,291
Net assets end of year	\$ 76,799

SEE NOTES TO FINANCIAL STATEMENTS.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 362,058
Cash received from miscellaneous operating activities	4,223
Cash payments to employees for services	(276,241)
Cash payments to suppliers for goods or services	(265,684)
Net cash used in operating activities	(175,644)
Cash flows from non-capital financing activities:	
State grants received	6,997
Federal grants received	160,028
Transfer in from the Capital Projects Fund	7,000
Net cash provided by non-capital financing activities	174,025
Cash flows from capital financing activities:	
Acquisition of capital assets	(14,874)
Cash flows from investing activities:	
Interest on investment	1,026
Net decrease in cash and cash equivalents	(15,467)
Cash and cash equivalents at beginning of year	24,363
Cash and cash equivalents at end of year	\$ 8,896
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (231,378)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	38,835
Depreciation	12,707
Increase in inventories	(788)
Decrease in accounts receivable	2,383
Increase in accounts payable	842
Increase in unearned revenue	1,755
Net cash used in operating activities	\$ (175,644)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	\$ 8,896
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2008, the District received Federal commodities valued at \$38,835.
SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 201,941
Liabilities	<u>0</u>
Net Assets	
Unrestricted	<u>\$ 201,941</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	<u>\$ 13,278</u>
Deductions:	
Scholarships	<u> 1,750</u>
Change in net assets	11,528
Net assets beginning of year	<u> 190,413</u>
Net assets end of year	<u><u> \$ 201,941</u></u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
COMPONENT UNIT
JUNE 30, 2008

	<u>Union Community School District Foundation</u>
Assets	
Cash and pooled investments	\$ 22,645
Liabilities	<u>0</u>
Net Assets	
Unrestricted	<u>\$ 22,645</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS
 COMPONENT UNIT
 YEAR ENDED JUNE 30, 2008

	Union Community School District Foundation
Revenue:	
Donations	\$ 20,371
Expenses:	
Administrative services	364
Miscellaneous	1,740
Total expenses	2,104
Operating income	18,267
Non-operating revenue:	
Interest income	466
Changes in net assets	18,733
Net assets beginning of year	3,912
Net assets end of year	\$ 22,645

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASHFLOWS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2008

	Union Community School District Foundation
Cash flows from operating activities:	
Cash received from miscellaneous operating activities	\$ 20,371
Cash payments to suppliers for goods or services	(2,104)
Net cash provided by operating activities	18,267
Cash flows from investing activities:	
Interest on investment	466
Net increase in cash and cash equivalents	18,733
Cash and cash equivalents at beginning of year	3,912
Cash and cash equivalents at end of year	\$ 22,645
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 18,267
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	\$ 22,645

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of La Porte City, Dysart and Mount Auburn, Iowa, and the predominate agricultural territory in Tama, Blackhawk, Buchanan and Benton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Union Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements present the Union Community School District (the primary government) and its component unit. The component unit discussed below, is included in the Districts reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Union Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental fund in these financial statements.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama, Blackhawk, Buchanan and Benton Counties Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when

payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008 the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 2,691,730</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 358,650
Debt Service	Special Revenue, Physical Plant and Equipment Levy	45,000
Nutrition Fund	Capital Projects	<u>7,000</u>
Total		<u>\$ 410,650</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Capital Projects Fund transferred to the School Nutrition Fund to pay for an oven.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/28/07	6/28/08	\$ 1,027,287	15,401	1,024,000	15,254
2008-09A	6/26/08	6/25/09	1,223,894	464	1,214,000	357
Total			\$ 2,251,181	15,865	2,238,000	15,611

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	875,000	875,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,729	0	0	53,729
Construction in progress	0	558,490	0	558,490
Total capital assets not being depreciated	<u>53,729</u>	<u>558,490</u>	<u>0</u>	<u>612,219</u>
Capital assets being depreciated:				
Buildings	8,735,504	0	0	8,735,504
Land improvements	1,217,780	0	0	1,217,780
Machinery and equipment	4,342,824	530,793	63,656	4,809,961
Total capital assets being depreciated	<u>14,296,108</u>	<u>530,793</u>	<u>63,656</u>	<u>14,763,245</u>
Less accumulated depreciation for:				
Buildings	4,517,143	160,138	0	4,677,281
Land improvements	1,130,640	15,417	0	1,146,057
Machinery and equipment	3,858,923	200,309	63,656	3,995,576
Total accumulated depreciation	<u>9,506,706</u>	<u>375,864</u>	<u>63,656</u>	<u>9,818,914</u>
Total capital assets being depreciated, net	<u>4,789,402</u>	<u>154,929</u>	<u>0</u>	<u>4,944,331</u>
Governmental activities capital assets, net	<u>\$ 4,843,131</u>	<u>713,419</u>	<u>0</u>	<u>5,556,550</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 207,865	14,874	7,095	215,644
Less accumulated depreciation	140,423	12,707	7,095	146,035
Business-type activities capital assets, net	<u>\$ 67,442</u>	<u>2,167</u>	<u>0</u>	<u>69,609</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 60,437
Other	15,575
Support services:	
Instructional staff	15,976
Administration	2,174
Operation and maintenance of plant	5,578
Transportation	100,569
	<u>200,309</u>
Unallocated depreciation	<u>175,555</u>
Total governmental activities depreciation expense	<u>\$ 375,864</u>
Business-type activities:	
Food services	<u>\$ 12,707</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 665,000	0	325,000	340,000	340,000
Notes payable	135,000	0	45,000	90,000	0
Early retirement	9,194	0	4,494	4,700	4,700
Total	\$ 809,194	0	374,494	434,700	344,700

Revenue Bonds Payable

Revenue bonds are paid with local option sales and service tax monies from the Capital Projects Fund. Details of the District's June 30, 2008 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Issue dated December 1, 2001		
		Principal	Interest	Total
2009	5.00 %	\$ 340,000	17,000	357,000

The District has pledged future local option sales and services tax revenues to repay the \$2,300,000 bonds issued in December 2001. The bonds were issued for the purpose various construction projects for the school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2009. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$357,000. For the current year, \$358,250 in principal and interest was paid on the bonds and total local option sales and services tax revenues were \$1,005,756.

Note Payable

During the year ended June 30, 2000, the PPEL Fund borrowed \$250,000 from the Bower Trust for construction expenses. The District is currently making annual payments from the Physical Plant and Equipment Levy to the Bower Trust to repay the amount borrowed. The Board intentionally disregarded the repayment schedule set in place when the amount was originally borrowed. However, the District reserves the right to not repay the amount borrowed. Since there is no current repayment schedule in place, we are unable to determine the amount to be repaid within one year. The balance of the notes payable at June 30, 2008 is \$90,000.

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees completed an application which was required to be approved by the Board of

Education. The early retirement incentive for each eligible employee is equal to a calculation of base salary less starting base salary and number of years of consecutive service. Early retirement benefits paid during the year ended June 30, 2008, totaled \$4,494. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Note Receivable

The District's Bower Trust fund loaned the Special Revenue, Physical Plant and Equipment Levy Fund \$250,000 to be used for construction expenses. The District currently plans on repaying this loan over the next several years. At the same time, the District is not required to repay this loan. The balance of the note receivable was \$90,000 at June 30, 2008.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$316,637, \$288,084 and \$282,538 respectively, equal to the required contributions for each year.

(9) Risk Management

Union Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$418,968 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed the certified budget amounts. During the year ended June 30, 2008 expenditures in the non-instructional programs function exceeded the amount budgeted.

(12) Construction Commitment

The District has entered into various contracts totaling \$591,271 for the miscellaneous improvements project. As of June 30, 2008, costs of \$558,490 had been incurred against the contract. The balance of \$32,781 remaining at June 30, 2008 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 6,069,725	363,169	6,432,894	6,416,610	6,416,610	16,284
Intermediate sources	162,929	0	162,929	151,768	151,768	11,161
State sources	5,949,075	6,997	5,956,072	5,898,323	5,898,323	57,749
Federal sources	198,118	198,863	396,981	310,000	310,000	86,981
Total revenues	12,379,847	569,029	12,948,876	12,776,701	12,776,701	172,175
Expenditures						
Instruction	7,133,657	0	7,133,657	7,501,156	7,501,156	367,499
Support services	3,318,082	10,269	3,328,351	3,431,101	3,431,101	102,750
Non-instructional programs	795	583,252	584,047	538,251	538,251	(45,796)
Other expenditures	1,355,475	0	1,355,475	1,728,494	1,728,494	373,019
Total expenditures	11,808,009	593,521	12,401,530	13,199,002	13,199,002	797,472
Excess(deficiency) of revenues over(under) expenditures	571,838	(24,492)	547,346	(422,301)	(422,301)	969,647
Other financing sources(uses), net	(1,783)	7,000	5,217	0	0	5,217
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	570,055	(17,492)	552,563	(422,301)	(422,301)	974,864
Balance beginning of year	2,269,041	94,291	2,363,332	1,977,899	1,977,899	385,433
Balance end of year	\$ 2,839,096	76,799	2,915,895	1,555,598	1,555,598	1,360,297

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 187,090	192,318	74,585	355,055	809,048
Receivables:					
Property tax:					
Delinquent	2,946	0	1,550	0	4,496
Succeeding year	203,100	0	101,840	0	304,940
Accounts	0	7,159	0	0	7,159
Note(Note 7)	0	0	0	90,000	90,000
Total Assets	\$ 393,136	199,477	177,975	445,055	1,215,643
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 0	19,998	0	0	19,998
Deferred revenue:					
Succeeding year property tax	203,100	0	101,840	0	304,940
Total liabilities	203,100	19,998	101,840	0	324,938
Fund Balances:					
Unreserved	190,036	179,479	76,135	445,055	890,705
Total Liabilities and Fund Balances	\$ 393,136	199,477	177,975	445,055	1,215,643

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax	\$ 181,408	0	95,650	0	277,058	0	277,058
Other	17,500	434,053	2,110	7,898	461,561	0	461,561
State sources	150	0	79	0	229	0	229
TOTAL REVENUES	199,058	434,053	97,839	7,898	738,848	0	738,848
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	36,149	0	0	0	36,149	0	36,149
Other instruction	0	454,158	0	16,054	470,212	0	470,212
Support services:							
Administration services	0	11,018	0	0	11,018	0	11,018
Operation and maintenance of plant services	39,969	1,208	3,648	0	44,825	0	44,825
Transportation services	28,794	0	0	0	28,794	0	28,794
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	370,000	370,000
Interest and fiscal charges	0	0	0	0	0	33,650	33,650
TOTAL EXPENDITURES	104,912	466,384	3,648	16,054	590,998	403,650	994,648
Excess (deficiency) of revenues over (under) expenditures	94,146	(32,331)	94,191	(8,156)	147,850	(403,650)	(255,800)
OTHER FINANCING SOURCES (USES):							
Transfer in	0	0	0	0	0	403,650	403,650
Transfer out	0	0	(45,000)	0	(45,000)	0	(45,000)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(45,000)	0	(45,000)	403,650	358,650
NET CHANGE IN FUND BALANCES	94,146	(32,331)	49,191	(8,156)	102,850	0	102,850
FUND BALANCES BEGINNING OF YEAR	95,890	211,810	26,944	453,211	787,855	0	787,855
FUND BALANCES END OF YEAR	\$ 190,036	179,479	76,135	445,055	890,705	0	890,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Band Uniforms	\$ 504	1,537	2,041	0
HS Band	0	9,823	9,164	659
MS Band	325	25	300	50
Choir	2,446	8,240	10,686	0
Band Uniforms Fees	2,290	599	0	2,889
Choir Robes	4,745	1,021	0	5,766
Annuals-prior years	212	416	245	383
Annual 2007	4,203	165	4,328	40
Annual 2008	0	9,237	480	8,757
Memory Book	5,595	2,256	2,332	5,519
Annual 2009	0	245	245	0
Drama	8,051	4,629	5,009	7,671
Magazine sales	0	25,166	25,166	0
Elem - LPC Art Show	172	207	200	179
Speech	1,444	3,033	4,477	0
Silver Chord-HS	50	0	0	50
Activity tickets	0	59	59	0
Lunch Transfer	18	0	18	0
General Transfer	135	0	135	0
Cross Country	0	4,319	4,319	0
Boys Basketball	9,868	14,211	19,385	4,694
Football	17,124	32,269	48,732	661
Booster Club	22,525	33,582	37,021	19,086
Baseball	537	6,538	7,075	0
Boys Track	0	1,257	1,257	0
Boys Tennis	0	1,826	1,826	0
Boys Golf	0	861	861	0
Wrestling	4,607	5,356	6,664	3,299
Girls Basketball	8,543	7,466	10,986	5,023
Volleyball	7,245	7,769	10,959	4,055
Softball	1,198	6,418	6,083	1,533
Girls Track	158	3,513	3,671	0
Girls Tennis	0	666	666	0
Girls Golf	0	658	658	0
Girls Soccer	166	1,675	1,661	180
General Athletics	0	9,994	9,994	0
Boys Basketball	0	1,918	1,918	0
Football	0	5,818	5,818	0
Baseball	0	715	715	0
Boys Track	0	4,857	4,857	0
Wrestling	0	570	570	0
Girls Basketball	0	1,529	1,529	0
Softball	0	461	461	0
Girls Track	0	1,392	1,392	0
Volleyball	0	1,695	1,695	0
General Athletics	2,523	11,504	14,027	0

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elem - DG	1,106	3,226	3,525	807
Elem - LPC	1,710	3,419	3,569	1,560
FFA	9,062	28,532	24,893	12,701
Art Club	2,261	3,414	4,129	1,546
HS Dance Squad	226	2,952	2,915	263
Class of 2007	169	0	169	0
Class of 2008	1,107	543	449	1,201
Class of 2009	3,696	2,307	5,302	701
Class of 2010	3,673	120	300	3,493
Class of 2011	3,206	114	0	3,320
Class of 2012	2,948	1,515	0	4,463
Class of 2013	1,212	1,186	0	2,398
Class of 2014	0	1,258	0	1,258
Math Club	197	0	0	197
National Honor Society	0	186	186	0
HS Cheerleaders	0	9,991	9,991	0
MS Dance Team	0	830	830	0
MS Cheerleaders	0	1,240	1,240	0
Student Council - DG	1,171	3,163	3,496	838
Student Council - HS	126	1,964	1,814	276
Student Council - MS	8,481	7,464	4,787	11,158
Student Council - LPC	1,730	2,363	3,266	827
Concessions	16,139	59,408	58,688	16,859
Candy	756	441	0	1,197
Endowment Fund	24,469	700	0	25,169
Fruit/Juice Break	4,655	13,288	15,924	2,019
Student Activity	0	572	572	0
Spanish Club	0	1,203	0	1,203
German Club	7,232	37,861	41,451	3,642
HS Student Pop	7,015	1,642	1,161	7,496
After prom	3,108	6,711	6,067	3,752
Talented and Gifted	1,205	945	1,975	175
Adult Education	466	0	0	466
Total	\$ 211,810	434,053	466,384	179,479

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers	Balance End of Year
Bowers Estate	\$ 274,977	5,356	0	280,333
Bader Athletic	2,796	107	0	2,903
Nurse Fund	2,077	0	0	2,077
Larson Estate	22,569	858	0	23,427
Anders Estate	150,792	1,577	16,054	136,315
 Total	 \$ 453,211	 7,898	 16,054	 445,055

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2008

	Bader Scholarship	Centennial Scholarship	Anders Scholarship	Ellis Jones Scholarship - Pharmacy	Ellis Jones Scholarship - Academic	Total
Assets						
Cash and pooled investments	\$ 2,295	172	27,030	86,222	86,222	201,941
Liabilities						
	0	0	0	0	0	0
Net Assets						
Unrestricted	\$ 2,295	172	27,030	86,222	86,222	201,941

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Bader Scholarship	Centennial Scholarship	Anders Scholarship	Ellis Jones Scholarship - Pharmacy	Ellis Jones Scholarship - Academic	Total
Additions:						
Local sources:						
Interest	\$ 77	248	6,591	3,181	3,181	13,278
Deductions:						
Scholarships	250	500	1,000	0	0	1,750
Changes in net assets	(173)	(252)	5,591	3,181	3,181	11,528
Net assets beginning of year	2,468	424	21,439	83,041	83,041	190,413
Net assets end of year	\$ 2,295	172	27,030	86,222	86,222	201,941

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30				
	2008	2007	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 4,908,032	4,765,008	4,458,264	4,239,101	4,214,060
Tuition	323,064	386,344	352,167	294,161	273,420
Other	838,629	940,087	818,596	768,189	754,834
Intermediate sources	162,929	143,732	151,769	165,078	150,789
State sources	5,949,075	5,462,501	5,223,143	5,013,465	4,575,442
Federal sources	198,118	213,546	191,224	194,256	208,315
Total	<u>\$ 12,379,847</u>	<u>11,911,218</u>	<u>11,195,163</u>	<u>10,674,250</u>	<u>10,176,860</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 4,637,820	4,634,592	4,528,277	4,406,787	4,512,120
Special instruction	1,251,387	1,364,343	1,295,911	1,249,955	1,121,715
Other instruction	1,244,450	1,127,186	1,126,110	1,008,912	963,921
Support services:					
Student services	249,800	238,529	231,459	218,384	205,122
Instructional staff services	365,468	476,019	370,929	363,933	370,491
Administration services	1,174,637	1,141,204	1,079,520	995,038	906,163
Operation and maintenance of plant services	798,996	809,692	882,795	757,981	748,422
Transportation services	729,181	758,313	719,310	554,188	623,573
Non-instructional programs	795	3,571	6,903	3,912	0
Other expenditures:					
Facilities acquisition	532,857	221,974	60,715	13,956	61,063
Long-term debt:					
Principal	370,000	325,000	290,000	725,000	305,000
Interest and other charges	33,650	49,150	63,650	95,673	110,412
AEA flowthrough	418,968	392,085	367,601	351,379	368,797
Total	<u>\$ 11,808,009</u>	<u>11,541,658</u>	<u>11,023,180</u>	<u>10,745,098</u>	<u>10,296,799</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Union Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Union Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Union Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Union Community School District's financial statements that is more than inconsequential will not be prevented or detected by Union Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Union Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the

internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

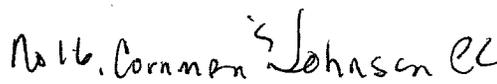
As part of obtaining reasonable assurance about whether Union Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Union Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Union Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union Community School District and other parties to whom Union Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the Student Activity and School Nutrition accounts which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The District has researched the checks and determined which checks should be reissued. The District has reissued those checks and will be sending the remainder to the Treasurer of Iowa.

Conclusion - Response accepted.

I-C-08 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are

recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

It was noted that there were charges for PSAT testing were receipted into the Activity Fund. PSAT revenues appear to be more instructional in nature and should be receipted to the General Fund.

The District writes various checks throughout the year for meal money for students that participate at state events as well as change boxes for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are barer paper and in the event the check would be lost or stolen, anyone could cash the check. In the future, the District should write the check to cash and include the name of the custodian/sponsor of the event.

There is an Adult Education account. This account is not a student run organization and should be run through the General Fund.

It was noted that there is an Athletic Complex/Land Purchase account. If this account is for the purpose that the name suggests, then it would be better run through the Special Revenue, Physical Plant and Equipment Levy Fund (PPEL).

Response - PSAT and Adult Education will be moved to the General Fund. The Athletic Complex/Land Purchase account will be moved to the Capital Projects Fund. Checks will be written to the custodian/sponsor of the event in the future.

Conclusion - Response accepted.

- I-D-08 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The District should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - From now on officials' contracts will be attached to check requests and checks to officials will be issued after the event.

Conclusion - Response accepted.

- I-E-08 Gate Admissions - During our audit it was noted that ticket takers at events don't always count money at the end and sign off on the amount being turned in.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any

policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will work on following the guidelines recommended.

Conclusion - Response accepted.

I-F-08 Scholarship Awards - We noted that when scholarships were awarded, the check was being written directly to the student.

Recommendation - The District should write scholarship checks to the student and trade school/university the student is attending. Once the student has supplied adequate documentation to the District that the student is attending a trade school/university, the District should issue the scholarship award.

Response - We will write checks to the school/university as well as the student from now on.

Conclusion - Response accepted.

I-G-08 Classification of Receivables - We noted during our audit that the receivables posted to the District's accounting system were classified improperly.

Recommendation - The District should review balance sheet accounts when posting receivables and properly classify intergovernmental and other accounts receivable.

Response - We will monitor receivables to assure that they are properly classified.

Conclusion - Response accepted.

I-H-08 Check Requisitions - We noted during our audit that the District didn't utilize pre-numbered check requisitions. We also noted instances of check requisitions not always being dated, thus making it difficult to determine when and if the requisition was submitted before approval was given.

Recommendation - Better internal control is achieved when check requisitions are used and the sequence is monitored. The District should review the system in place. Check requisitions provide approval for purchases; therefore, pre-numbered check requisitions should be approved by the administrator before the ordering of supplies takes place.

Response - We will use pre-numbered check requisitions in the future.

Conclusion - Response accepted.

I-I-08 Receipting/Depositing Process - During our audit we noted that bank deposit slips prepared for the Student Activity and School Nutrition Funds did not contain detail of the composition of the deposit.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipt numbers included on that deposit. The identification of the receipts to the deposit slip aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are being deposited.

Response - We are working with the building secretaries to assure deposit slips include a listing of the checks as well as the currency.

Conclusion - Response accepted.

UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the certified budget amounts in the non-instructional programs function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will monitor the expenses more closely against the budget in the future.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nancy McFarland, Bus driver Daughter owns La Porte City Printing & Design	Supplies	\$9,343
Louis Beck, Teacher Mother owns Breads by Ruth Beck	Supplies	\$1,987
Rita Eikamp, Teacher Daughter-in-law owns Simply Blooming	Supplies	\$260
Reta Callahan, Teacher Owns Callahan Catering	Speech Judges Meal	\$183
Nancy McFarland, Bus driver Owns Sunshine Florals	Supplies	\$1,482
Angie Bechthold, Teacher Nephew runs DJ service	DJ services	\$850
Mark Albertsen, Principal Father does electrical contracting	Maintenance	\$430
Wanda Petersen, Sub Secretary Son owns Petersen Construction	Repairs	\$7,793

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the daughter of Nancy McFarland, the mother of Louis Beck, the daughter-in-law of Rita Eikamp, the nephew of Angie Bechthold, the father of Mark Albertsen, and the son of Wanda Petersen do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Reta Callahan and Nancy McFarland do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.